

Message Text

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PAGE 01 VIENTI 01288 151341Z

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 SAJ-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /157 W

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R 151129Z FEB 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 7729

INFO AMEMBASSY BANGKOK

S E C R E T VIENTIANE 1288

E.O. 11652: GDS

TAGS: EAID, EFIN, PFOR, LA

SUBJECT: IMMEDIATE PROBLEMS RELATED TO FORMATION OF
NEW COALITION GOVERNMENT: FOREIGN EXCHANGE
DEMAND

REF: (A) VIENTIANE 8553 - NOVEMBER 14, 1972

(B) STATE 209289 - NOVEMBER 17, 1972

1. REFTEL A CONTAINED OUR PLANNING RECOMMENDATIONS FOR
POSSIBLE INCREASE IN FOREIGN EXCHANGE DEMAND UPON
ESTABLISHMENT OF LAO CEASEFIRE.

2. THE INCREASE IN FOREIGN EXCHANGE DEMAND AND GENERAL
ECONOMIC INSTABILITY WHICH AT THAT TIME WE POSTULATED
MIGHT ACCOMPANY LAO CEASEFIRE HAS NOT YET MATERIALIZED,
POSSIBLY BECAUSE NEW COALITION GOVERNMENT PRESCRIBED IN
FEBRUARY 21 LAOS AGREEMENT HAS NOT YET BEEN FORMED. HOW-
EVER, WE ANTICIPATE NEW COALITION CABINET PERSONNEL MAY
BE NAMED AS SOON AS FEBRUARY 21 WITH INVESTITURE TO FOLLOW
WITHIN SEVERAL WEEKS THEREAFTER.

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PAGE 02 VIENTI 01288 151341Z

3. PROVISIONS OF SEPTEMBER 14 LAO PROTOCOL HAVE, AS
DEPARTMENT AWARE, INCLUDED ESTABLISHMENT OF JOINT RLG/LPF

POLICE AND ADMINISTRATIVE ARRANGEMENTS FOR VIENTIANE. THIS WILL MEAN MORE STRINGENT CONTROLS AND PERHAPS TENSION IN VIENTIANE. ALTHOUGH LOCAL POPULATION IS REACTING CALMLY AT OUTSET OF IMPLEMENTATION OF THESE AND OTHER PROVISIONS OF LAO ACCORDS, LAO BUSINESS COMMUNITY MAY BECOME MORE UNEASY AS FORMATION OF NEW GOVERNMENT APPROACHES. THIS COULD CREATE EXTRAORDINARY DEMANDS ON THE FOREIGN EXCHANGE OPERATION FUND (FEOF).

4. IT IS OF UTMOST IMPORTANCE TO U.S. OBJECTIVES TO KEEP TRANSITION BETWEEN GOVERNMENTS AS SMOOTH AS POSSIBLE AND TO MAINTAIN ECONOMIC STABILITY AS PRIME MINISTER ATTEMPTS TO SET HIS NEW GOVERNMENT FUNCTIONING. WE RECOGNIZE, OF COURSE, THAT ONCE NEW GOVERNMENT HAS BEGUN FUNCTIONING, IT WILL HAVE TO FACE BASIC ECONOMIC PROBLEMS OF LAOS, INCLUDING NEED FOR FISCAL RESTRAINT AND RESPONSIBILITY. BUT, FOR THIS CRITICAL PERIOD OF TRANSITION, WE BELIEVE THAT EXTRAORDINARY SUPPORT TO FEOF MAY BE NECESSARY TO AVOID SEVERE ECONOMIC AND SOCIAL DISLOCATION AND WE WISH TO ALERT WASHINGTON TO THE POSSIBLE NEED FOR SWIFT ACTION IN MEETING SUCH A CONTINGENCY. ECONOMIC COUNSELOR AND USAID DIRECTOR MANN WILL BE ABLE TO DISCUSS THIS MATTER IN GREATER DETAIL DURING HIS WASHINGTON CONSULATION BEGINNING NEXT WEEK.
WHITEHOUSE

SECRET

NNN

Message Attributes

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